



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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~~NOV 8 1979~~

LOGISTICS AND COMMUNICATIONS
DIVISION



JUN

B-95136

The Honorable Anthony C. Beilenson
House of Representatives



Dear Mr. Beilenson:

ABCO0010

This is in reply to your February 6, 1979, letter, concerning the inquiry from a constituent on the leasing of office space in Los Angeles, California, by the Equal Employment Opportunity Commission. The constituent stated that the apparent high cost of the space occupied by the Commission does not serve the best interest of the Government.

ABCO0017

The General Services Administration leases the entire ninth floor, or 12,364 square feet of space, at 3255 Wilshire Boulevard at a rate of \$7.60 a square foot fully serviced. At the time the lease was signed in October 1975, General Services estimated that the \$7.60 rate was below the fair market value. The term of the lease is from December 1, 1975, through November 30, 1980, with no provision for an automatic renewal.

Administration (GSA)

General Services presently charges the Commission (the only Federal agency located in the building) \$9.79 a square foot under a law which authorizes the Administrator to charge agencies an amount that approximates commercial charges for comparable space and services. The rent charged to other agencies for office space in the Los Angeles area varies between \$3.01 and \$14.24 a square foot with an overall average of \$7.80 a square foot. In January 1979 General Services reappraised the value of office space and will increase the amount it charges the Commission to \$13 a square foot. The new rate is in line with rents currently being paid by some of the commercial tenants in the building. To allow the Commission time to budget for the rate increase, General Services will not apply the new rate until October 1980.

According to General Services, the Commission had offices in several locations and the offices lacked adequate security before its move to 3255 Wilshire Boulevard. The Commission requested that its new space be located within the boundaries of Wilshire Boulevard, North; Figueroa Street, East; Adams

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Boulevard, South; and La Brea Street, West and that the space be contiguous. The Commission, at the time of its request for space, was located within this same area.

Since there was no Government-owned space available to satisfy the Commission's requirements, in July 1975 General Services solicited offers for leased space in the area specified by the Commission and received offers from eight firms. General Services' first solicitation required 8,380 square feet of space, which was subsequently increased to 11,400. The firm representing 3255 Wilshire Boulevard offered the space rent free for 1 year. The annual rent offered by the firm was \$93,966.40, about \$375,865 over the 5-year period, or an effective rate of about \$6.08 a square foot.

Although it appears that General Services obtained office space at a reasonable rate, ~~we believe~~ there can be some lessening of the benefits to the Government in the follow-on lease, unless General Services develops an alternative space plan. General Services has no provision for automatic renewal of the lease at option rates. Consequently, if a need exists beyond the expiration date, General Services must negotiate a follow-on lease. In our January 24, 1978, report (LCD-77-354) on General Services' practice on awarding and administering leases, we said that competition is almost nonexistent on follow-on leases, because in almost all the cases we examined General Services negotiated only with the present lessor.

Unless General Services develops an alternative space plan to enhance its position for negotiating a succeeding lease, the lessor will have an advantageous negotiating position because the Government will not have made the necessary arrangements to move if the rate is not reasonable. Accordingly, we are bringing this to the attention of the Administrator of General Services so that he can take appropriate action.

A copy of this report is being forwarded to the Director, Office of Management and Budget.

Sincerely yours,



R. W. Gutmann
Director